PENSION BOARD MEETING

Wednesday, May 13, 2015 9:00 AM – Fourth Floor Conference Room

MEETING MINUTES

Members Present:

Anthony Coleman

Barry Echols
Philip Goldstein

Eric Lockhart Tim Milligan Freddy Morgan

Jake King

Jesse Zerbe

Absent:

Bill Bruton

Ex-Officio Members:

Davy Godfrey- Secretary - Director - Human Resources & Risk Mgmt.

Sam Lady - Finance Director

Visitors / Guests

ian Janecek - GAVION

Rob Johnson – PRINCIPAL FINANCIAL GROUP

Ed Kobel - CAVANAUGH MCDONALD

Libby Hammock / Meredith Weber - Human Resources

1. CALL TO ORDER / DECLARATION OF QUORUM

Chairperson Echols

Chairperson Echols declared a quorum and called the meeting to order at 9:05 am. He opened the meeting by welcoming back Police Lieutenant Jake King, congratulating him on completing a twelve (12) week FBI National Academy in Quantico, VA. Additionally, in February he completed his Masters from Columbus State in Public Administration.

2. MINUTES FOR APPROVAL

Chairperson Echols

Chairperson Echols called for a motion for approval of the meeting minutes of February 11, 2015. There are changes/corrections to be made to these minutes; therefore, these minutes are to be presented for approval at the next Pension Board Meeting on August 12, 2015.

3. <u>GAVION</u> lan Janecek

lan opened his meeting and began his presentation on - Page 5 – Growth of Assets – Total Portfolio Ending March 31, 2015. The investment gain is, as of March 31, 2015, at \$98,358,227. He emphasized that we are seeing healthy gains with returns close to the \$100 million dollar mark.

Going back to Page 4 – Total Fund – shows 1 yr. at 7.4% - underperformance vs. 9.6% led by active managers and no utilities. Page 2 – <u>Asset Allocation vs. Target</u> – it is 10% above target on equities. On Page 3 – Victory is doing well with a beginning Market Value of \$7,652,238 and an ending value of \$11,175,131. Page 4 Ian commented that there will be times when the managers will underperform during a 3 -5 year period.

Advisory – Small Mid-cap Value Market Value accrued (ending market value) at \$3,962 and Westfield beat the index at \$19,995,527.



The Total Fund (100%) included in the handout from lan, were as follows:

Market Value: \$98,916,448

YTD: 2.4% RETURN: 8.6%

International is not a part of the City of Marietta Portfolio. However, he commented that if it rebounds it could be a detractor due to peer groups. Ian agreed to reach out to explore this.

There were no further questions or comments. Ian thanked the Board for their time and departed at 9:25 am.

4. PRINCIPAL

Rob Johnson, Account Executive Director

As Jackie Deckman is no longer working for PRINCIPAL, Mr. Rob Johnson attended the meeting today to go over the 1st Quarter Performance report. He opened by stating that Jackie Deckman did report to him as a Service Team Leader, so he will be looking for a replacement. His contact information can be found on page 2, and a business card is in the back part of the presentation folder. He asked that the Board feel free to contact him should there be any questions.

He began by stating that the City Plan is running well with no major issues. The Review is very brief as there has been good performance. On **Page 3** of the presentation you will see that internet users are up from 257 to 274. The TOTAL PLAN is up from 12.31.14 @ \$33,720,782 to 03.31.15 @ \$33,857,703.

Member Zerbe Lft @ 9:30 am Ptn.9:35 am

Rob Johnson referenced the "Pension Protection Act" provides Fiduciary protection to the plan sponsor. He commented that the responsibility given to the participant(s) to manage investments is not necessarily the best thing. The QDIA (Qualified Default Investment Alternative) is more appropriate than the short-term fixed income. The City of Marietta does not take advantage of QDIA. Fixed Income is where the majority of employees are contributing. City employees automatically go into the Fixed Income fund unless the employee opts out.

Member Lockhart pointed out that there is an increase in returns & lower fees that need to be looked at. That will need to be negotiated. Rob replied that he would look at this and make recommendations. Rob took a moment to elaborate on Jackie's work. He stated she kept great files, but that he could not find an Investment Policy Plan (there is one per the members of the Pension Board). He commented that it is not the industry standard for the PRINCIPAL fund manager to prepare the Investment Policy Plan or serve as an advisor, and he recommended that the city look at using a third-party advisor for these duties.

Ex-Officio Member Sam Lady replied that Jackie Deckman kept the Investment Policy up to date and served as an advisor, and that she provided it using the fees currently charged to manage our plan. Sam stated that something like this would have to go out for bids. Rob replied that they do want to keep the city as a client, but it appears that PRINCIPAL has been providing the city with services that they don't normally offer. He commented that the rate of return is decreasing as of 06.01.15 between 1.7% and 1.8%. Ex-Officio Member Sam Lady anticipates that rates will increase shortage of acceptable collateral out there at this time.

4. PRINCIPAL (Continued)

Rob Johnson, Account Executive Director

Rob added that the fixed income fee/credit rate tends to lag in the money market. He feels it could be a trend. Member Lockhart stated that the city maximizes the returns at the lowest fee. Member Goldstein asked Ron what the charge would be to move money.

Rob responded that we should stay the course, fix new employees, and reset money moved into target funds.

Member Milligan expressed concern at the rate of the Net of Fees (see pg. 33). He confirmed that there would be no fees to move funds per Rob (based on Member Goldstein's question.) Member Goldstein wanted to address the issues:

- · What are the fees?
- Will this change the PRINCIPAL fees?
- Cost of mass mailings?
- Can PRINCIPAL bring this information to the next meeting?

Ex-Officio Member Sam Lady stated that we may need to call a "Special" Pension Board Meeting. Member Morgan asked to push to make these changes prior to Open Enrollment. Ex-Officio Member Sam Lady stated that Open Enrollment is to remain as handled in the past.

Member Milligan questioned the suggestions of the overall fund. Rob stated that he wants the City of Marietta to remain as a Client, but feels it is very important to note that the normal way the plan would be operated requires a separate advisor not employed by PRINCIPAL. Chairperson Echols asked if there are others that are handled the same as the City of Marietta. Member Goldstein asked Rob if we would be getting the same service that Jackie Deckman gave to the City of Marietta.

Rob responded that there would be no fund replacements or changes. Ex-Officio Member Sam Lady stated that the Investment Policy is the biggest concern. Currently, we are compliant and this has always been maintained. If PRINCIPAL has other clients operating like we are, should they all be the same?

Rob responded that he will keep the relationship and will continue the services that Jackie provided. Are there any concerns of the cost of an Advisor? Ex-Officio Member Lady responded in the affirmative, and the City would go out for bids. Member King asked Rob if he was asking the city to hire a Third Party for a buffer between us and PRINCIPAL. Ex-Officio Member Lady stated that we need a commitment to continue your services. Ex-Officio Secretary Davy Godfrey asked if continuing as normal was a conflict of interest. Rob responded it could be viewed that way. Rob commented that he felt that it would be protecting the City to have a third-party advisor as PRINCIPAL is advising on products that they sell. It was pointed out to Rob that Jackie would provide the Board with 2-3 options for review and this was included in the services that we paid for. She gave us alternatives. Ex-Officio Member Sam Lady added that the LifeTime funds are PRINCIPAL funds, but added that Jackie has reviewed other funds when requested by the Pension Board.

Discussions continued regarding PRINCIPAL providing advisory services. Ex-Officio Member Sam Lady requested assurance from Rob that the City would continue to receive the level of services that Jackie had provided. The Investment Policy was kept in line by Jackie, and she would bring it back for approval and recommendations when needed. Rob said that this would not change.

4. PRINCIPAL (Continued)

Rob Johnson, Account Executive Director

Member Goldstein stated that, since Rob is new to the City of Marietta, he should prepare for these questions at the next Pension Board meeting and plan to present the information. He should also bring another person that will be assigned to the City of Marietta. Rob agreed, and added that it would be good to have an open dialogue.

Member Lockhart asked Rob if he would make recommendations on the funds. Rob replied that PRINCIPAL does have a list of funds that could be presented, and they can plug in mutual funds at an extra cost should they not be in PRINCIPAL. Chairperson Echols thanked Rob and stated that he hoped to maintain the standard of service from PRINCIPAL as we have had in the past. He added that Jackie did keep great files. He thanked Mr. Johnson for coming, and he left the meeting at 10:15 am.

Goldstein Ift 10:15 am RTN: 10:20 AM

5. CAVANAUGH MCDONALD

Ed Koebel

Chairperson Echols opened the presentation by stating that going forward, as the contract ends in June, what will be the status of fees?

Ed responded that they had a two (2) year deal 2013 – 2015, and both parties had agreed to extend for another 2 years so the City can use the same contract until 2019. The fee was \$17,500 / GATSBY \$2,500 – there will be no changes in the fees until 2017 review.

Chairperson Echols clarified that with the contract upon mutual approval it would extend for two (2) years to 2017 and then 2 years until 2019 with 2017 approval. Ex-Officio Member Sam Lady stated that they have provided good service and he is not aware of any issues. Ex-Officio Member Davy Godfrey confirmed that they have met all statutory requirements, and Member Lockhart added that the interim time is no issue.

Chairperson Echols called for a motion:

MOTION:

RENEWAL OF CAVANAUGH MCDONALD CONTRACT

- Member Milligan made the motion to approve the renewal of the Cavanaugh McDonald contract for the terms of 2 years to 2017 and then to review at that time for another 2 years to 2019. Fees & Contract will remain the same until 2019.
- Second to the motion by Member Morgan.

Unanimous by the Board.

Chairperson Echols then directed the Board to discussions reference to Spousal Benefits / Survivor Benefits. He is asking Ed Koebel to address these concerns:

- Should the employee die on the job the spouse doesn't receive any benefits.
- Survivor Benefits is it common or not?
- Will there be a reduction in the percentage of funding?
- How much does it cost per employee and for the City?

5. CAVANAUGH MCDONALD

(Continued)

Ed Koebel

Ed is going to speak reference to these questions and provide scenarios along with three (3) Spousal benefits for review.

(1) Active deaths only
Assumptions – Cobb County example
Paid only \$7,000 for a surviving spouse
(Plus 3 x Salary) – not paid by the Pension Plan

If an employee is killed in the line of duty - no vesting is required.

(2) Employee reaches retirement date
Cobb County example
15 years of service / age 45
At 35 years – paid 45% of that amount = \$13,200 for the spouse

Ed offered to run numbers and review again in August.

(3) 100% Joint Survivor payable at 55 and retired. 15 years = \$11,000 but spouse doesn't receive it until age 55.

Ed stated that there are numerous ways to do the funding but the numbers above are based on Cobb County structure. He added that the accrued liability may go up but would be very minor the minimal would be at 54.9% (Based on the County Structure).

Member Goldstein brought to the attention of the Board that the Pension Fund is now at 55%. Constant efforts are now, and have been made continuously, to solidify the Pension Plan and get to the 100% goal. He agrees that it would be great to look at increasing benefits; however, in the past, all employees have been treated the same. Term Life Insurance is always an alternative for any and all employees. It is felt that we should not take away from the funding of the Pension Plan.

Member Coleman asked what would benefit employees most.

Ex-Officio Member Sam Lady advised that the city is already looking at increasing the \$180,000 term life insurance paid for by the city. Looking at the entire picture, there are other options. Ex-Officio Member Davy Godfrey and Member Lockhart asked if there is a way where employees could insure their pension benefits through a self-funded option once they vest, thereby allowing for a survivor to receive the benefits.

Member Goldstein answered in the negative, because he said that the pension plan would take a larger hit than what an employee would be paying in. He suggested purchasing additional Term Life Insurance as an alternative.

Coleman Ift

@ 10:50 am / Rtn'd 10:55 am

Member Morgan asked about the cost of Ed Koebel's plan. Chairperson Echols stated that as Ed provided three (3) plans that a group should get together and run the scenarios.

In agreement with Member Goldstein, Member Zerbe added that it is our job to take care of the Pension Plan.

5. CAVANAUGH MCDONALD (Continued)

Ed Koebel

General comments by the Board were:

- Educate employees on the types and costs of personal insurance policies
- Provide services at Open Enrollment

Chairperson Echols asked that we wrap it up at this point and table the discussions for the next meeting. Ed Koebel offered to prepare additional scenarios but Chairperson Echols stated his preference would be for us to do some scenarios in-house at this time.

Ed Koebel concluded his presentation at 11:05 am and left the meeting.

Member Morgan LFT 10:55/Rtn 11:05)

6. RETIREMENT APPLICATIONS

Davy Godfrey

- Croft, Nellie A. Consolidated Plan, Survivors Benefit.
 Effective 3-1-2015. Monthly Benefit of \$1,465.11 for her Lifetime.
 Beneficiary of Thomas A. Croft, former Superintendent, Water & Sewer Dept.
- Hester, Patsy P. 4022 Plan, Social Security Option. Survivors Benefit. Effective 3-1-2015. Monthly Benefit of \$2,620.50 for 24 months. Beneficiary of William T. Hester, former Fire Department Captain.
- Scott, Thomas F. Consolidated Plan, Terminated Vested Early Retirement.
 Single Life Benefit. Effective 3-1-2015. Monthly Benefit of \$410.68.
 Employed 1-28-1982 to 4-28-1993, 11 years 3 months. Electrical Lineman.
- Biggers, John S. Consolidated Plan, Unreduced Early Retirement. Single Life Benefit. Effective 4-1-2015. Monthly Benefit of \$2,682.26. Employed 6/2/1988 to 3/31/2015, 26 years 10 months. Police Officer.
- Hill, Jonathan D. 4022 Plan, Unreduced Early Retirement. Alternate Magic 80 Benefit.
 Single Life Benefit. Effective 4-1-2015. Monthly Benefit of \$ 4,062.15.
 Employed 1/2/1986 to 3/31/2015, 29 years 3 months. Fire Assistant Chief.
- Payne, Nadine E. Consolidated Plan, Terminated Vested Early Retirement.
 Single Life Benefit. Effective 4-1-2015. Monthly Benefit of \$550.22.
 Employed 3/1/1999 to 6/14/2013, 14 years 3 months. Police Service Representative.
- 7. Whitlow, Carolyn R. 4022 Plan. Survivors Benefit. Effective 4-1-2015. Monthly Benefit of \$2,348.62 for 24 months. Beneficiary of Carey E. Whitlow, former Police Department Captain.
- 8. Williams, Robert L. Consolidated Plan, Unreduced Early Retirement. 100% Joint and Survivor Pop-Up Benefit. Effective 4-1-2015. Monthly Benefit of \$3,636.38. Employed 4-10-1980 to 7-20-1982 and 11-3-1986 to 3-31-2015, 30 years 8 months. Radio Systems Analyst.

6. RETIREMENT APPLICATIONS

(Continued)

Davy Godfrey

- 9. Bland, Walton M. Consolidated Plan, Unreduced Early Retirement. Single Life Benefit. Effective 5-1-2105. Monthly Benefit of \$4,763.44. Employed 5/21/1984 to 4/30/2015, 30 years 11 months. Manager of Housing Programs.
- Brackett, William E. 4022 Plan, Unreduced Early Retirement. Alternate Magic 80 Benefit. Single Life Benefit. Effective 5-1-2015. Monthly Benefit of \$3,652.95. Employed 3/24/1983 to 4/30/2015, 32 years 1 month. Fire Engineer

MOTION:

PENSION - RETIREMENT APPLICATINS

- Member Goldstein made the motion to approve the Pension Board Applications 1 10 as presented.
- Second to the Motion by Member Zerbe.

Unanimous by the Board.

7. OLD BUSINESS

Chairperson Echols took a moment to share with the Board that one of our Disability employees, Thomas Carson, is doing extremely well and in remission. Chairperson Echols pointed out that all Disability employees are required to confirm their status every two (2) years.

Ex-Officio Member Davy Godfrey confirmed that currently there are 25 disabilities and 23 not certified since 2013. Nancy Cheshire and Thomas Carson are due for confirmation of their status. He stated that if an employee doesn't recertify by the due date, their benefits terminate.

Meredith Weber will handle the certified mailing process and get them out by June 1, 2015, for a recertification no later than July 1, 2015.

Member Goldstein stated that all disability confirmations are due every two (2) years from the date of disability.

8. NEW BUSINESS

MOTION:

GAPPT CERTIFIED PENSION PLAN TRUSTEE SCHOOL September 21 – 24th – Hyatt Regency GAPPT – Savannah

Member Morgan made the motion that Travel & Training for the GAPPT School & renewal of GAPPT annual membership dues are to be paid by the Pension Plan.

Second to the motion by Member Zerbe Unanimous by the board

8. NEW BUSINESS

(Continued)

ISSUING OF PENSION CHECKS (Continued)

 Issuing of Pension Board Checks – There was an error on John Biggers retirement check of \$.84, but could have been avoided if the first check had been issued after all service was completed (for example, the 15th instead of the 1st as per city code).
 Member Goldstein asked that Davy do a proposal with verbiage for changing code regarding issuing the first pension check and bring it to the next Pension Board meeting.

RECOUP ERRONEOUS OR INVALID PENSION PAYMENTS

Member Goldstein stated that a letter is to be sent to request the return of money.

Member Milligan agreed that we have to get the money back.

- Member Zerbe stated that they should be allowed sixty (60) days to pay.
- Ex-Officio Member Godfrey stated that he would bring any problem cases to the board for resolution.

NEXT PENSION BOARD MEETING

Wednesday – August 12, 2015
 4th Floor Conference room
 9:00 AM

9. ADJOURN

MOTION: ADJOURN

Member King made the motion to adjourn at 11:30 am. Second to the motion by Member Milligan

Unanimous by the board

PENSION BOARD MEETING

Wednesday, May 13, 2015 9:00 AM - Fourth Floor Conference Room

APPROVED THIS 12th DAY OF august, 2015
A Ch
Barry Echols, Chairperson, Pension Board ATTEST:
Elizabeth Hammock, Admin. Assistant – Human Resources

PENSION BOARD MEETING

05.13.2015

MINUTES